

RENZ D. JENNINGS
CHAIRMAN

MARCIA WEEKS
COMMISSIONER

CARL J. KUNASEK
COMMISSIONER



RECEIVED
AZ CORP COMMISSION



0000065579

ARIZONA CORPORATION COMMISSION
September 5, 1996

DOCUMENT CONTROL

Mr. William Post
Sen. V. P. and COO
Arizona Public Service Company
P.O. Box 53999
Phoenix, Arizona 85072-3999

Arizona Corporation Commission

DOCKETED

SEP 5 1996

DOCKETED BY

RF

U-0000-94-165

Dear Mr. Post:

I share your concern about the need to obtain adequate responses to a proposed rule on electric industry restructuring. I would first like to indicate why our process for obtaining public input is sound, and then address the specific points raised by Mr. Mumaw in his filing yesterday.

We are following the State's procedures for obtaining input in the rule-making process. If the Commission votes to proceed with formal rule-making, there will be a period of over 30 days for parties to provide written comments and an opportunity for the public to present oral comments before the Commission takes any formal action to adopt a rule.

The draft rule that was mailed on August 28, 1996 provides all interested parties an additional opportunity for written comments prior to the formal comment period specified in the State's procedures for rule-making.

In preparing a rule to propose to the Commission, we have obtained extensive public input:

- ♦ *An introductory workshop was held on September 7, 1994. One hundred eighteen representatives from utilities, consumer organizations, other power suppliers, and others attended the workshop. The workshop was summarized in a Staff Report dated October 1994.*
- ♦ *A series of nine working group and task force meetings were held in 1995 which addressed restructuring options, implementation of the options, and advantages and disadvantages of the options. Fifty-one groups were represented on task forces which focused on systems and markets, regulatory issues, and energy efficiency and environmental issues. Members of the task forces included representatives from utilities, consumer organizations, other power suppliers, and others. This work was summarized in a "Report of the Working Group on Retail Electric Competition," dated October 5, 1995.*

- ♦ *A request for comments on electric industry restructuring was issued in February 1996. Comments were filed by 31 parties on June 28, 1996. Commenters included consumer groups, Arizona utilities, other suppliers, and other parties. Staff prepared a summary of the comments in July 1996.*
- ♦ *A workshop was held on August 12, 1996 to explore and obtain feedback on a small number of options for introducing retail electric competition. One hundred thirty workshop participants included representatives from utilities, consumer organizations, other power suppliers, and others. Staff summarized the workshop in a report dated August 19, 1996.*

The issues inherent in electric industry restructuring have been aired. In preparing a proposed rule for the Commission's consideration, we have taken the additional step of seeking informal comments on a draft rule. Although the turn-around time from August 28, 1996 to September 12, 1996 appears brief, interested parties have a good background in the issues. The input that will be provided will help us in revising the draft before bringing a formal proposal to the Commission.

Mr. Mumaw suggests that Staff has not lived up to its commitment to Attachment 8 of the Rate Reduction Agreement. I believe that we have met the points of agreement. We have conducted a public process open to all and we have urged the Commission to consider all of the issues listed by addressing those issues and by inviting comments. We are certainly willing to support collaborative efforts and to foster resolution of issues, but the burden for collaboration falls as much on APS as on any party. We have not seen any collaboration among consumers, utilities, and other suppliers to date. Extending the due date for comments on the draft rule does not seem to enhance the prospects for such collaboration.

Secondly, Mr. Mumaw's characterization of rule-making as giving the Commissioners only two choices (accept the rules with few changes or reject them entirely) is misleading. Clearly, the Commissioners could modify the proposed rule as they see fit and follow the requirements of the rule-making process.

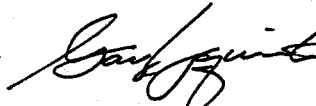
Thirdly, we disagree with Mr. Mumaw's assertion that the Commission lacks the legal ability to proceed with rule-making on restructuring.

Mr. William Post
September 5, 1996
Page 3

In sum, I believe that the process we have followed has gone to great lengths to obtain public input and that our request for comments is reasonable.

It is important to continue communication between APS and the Staff and I invite you to discuss any of these issues with me at any time.

Very truly yours,



Gary Yaquinto
Director
Utilities Division

GY:alw

cc: Chairman Renz D. Jennings
Commissioner Marcia Weeks
Commissioner Carl J. Kunasek
Docket Control